

15 November 1955

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NATIONAL INTELLIGENCE ESTIMATE

NUMBER 36.1-55

THE OUTLOOK FOR EGYPTIAN STABILITY AND FOREIGN POLICY

Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

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Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

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DOCUMENT NO. 1
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CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: _____
AUTH: HR 70-2
DATE: 6-11-81 REVIEWER: 009258

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THE OUTLOOK FOR EGYPTIAN STABILITY AND FOREIGN POLICY

THE PROBLEM

To estimate probable trends in Egypt's foreign and domestic policies and in its internal stability over the next few years, and to assess the implications of these trends for US interests in the Middle East.

CONCLUSIONS

1. Barring such grave developments as assassination or military defeat by Israel, the Nasir regime is likely to remain in control of Egypt at least for the next year or so. The regime's power will continue to depend primarily on the support of the armed forces. (*Paras. 19-20*)

2. The position of the Revolutionary Command Council (RCC) has probably been strengthened during its more than three years of control. Its arms deal with the Soviet Bloc has won the approval of politically conscious civilian elements who share with the regime a desire to build up Egypt's military capabilities against Israel. On the other hand, most of the civilian population is apathetic toward the regime, and the more politically articulate civilian elements will remain opposed to the regime so long as they are effectively excluded from participation in power. Even if a parliament should be instituted, it would almost certainly be little more than an advisory body. Although such a reorganization might eliminate the RCC as an entity, most RCC

members would probably retain considerable influence. Nasir himself would probably be even stronger than at present. (*Paras. 14, 18, 20, 22-24, 43*)

3. Neither the Nasir regime nor any foreseeable successor is likely to make great progress in coping with Egypt's fiscal and economic problems. Its export difficulties would become severe if a revision of the US cotton export policy were to confront Egypt with competition from US sales. Barter trade with the Sino-Soviet Bloc may provide a solution to Egypt's chronic cotton surplus problem, but growing dependence on this outlet may make Egypt increasingly susceptible to economic pressures and inducements from the Bloc. (*Paras. 33-34*)

4. Even if Egypt succeeds in constructing the High Dam above Aswan, the project is unlikely to raise the Egyptian standard of living significantly, since the population will probably continue to grow at a rate sufficient to absorb the added resources without increasing *per capita*

income. If the regime lost hope of obtaining satisfactory financing assistance from Western sources, it would probably seek an acceptable offer from the USSR. (Paras. 35-40)

5. The fundamental objectives of the regime's foreign policy are to be free of foreign domination, to acquire leadership in the Arab world, to strengthen Egypt against Israel, to establish influence in the Sudan, and to undermine the Western position in the Middle East and Africa. The regime almost certainly estimates that the arms agreement with the Soviet Bloc has substantially improved its domestic and international position. It would almost certainly not abandon this agreement in the face of Western pressure. (Paras. 53-55)

6. The RCC almost certainly underestimates the risks of accepting Soviet arms and other support. Growing Egyptian military and commercial dependence on the Bloc would increase Soviet ability to influence Egypt either by threats or inducements and would provide added opportunities for subversion and political penetration. This would be particularly true if the USSR should extend assistance for construction of the Aswan High Dam. (Paras. 38, 60-62)

7. At a minimum, recent Soviet overtures are likely to foster Egyptian neutralism. We believe, however, that the RCC desires to avoid political alignment with the Bloc. In the long run, the main factors which will determine the extent of Soviet influence in Egypt are: (a) the regime's own estimate of its need for Western support to insure its independence; (b) the extent to which the regime's

economic, political, and military aspirations are actually satisfied by the West; and (c) the degree of Egyptian satisfaction or dissatisfaction with Soviet performance. (Paras. 58-59, 63)

8. The arms deal has substantially increased the risk of Egyptian-Israeli hostilities, primarily because of the danger that Israel will take preventive action, but also because it is likely to strengthen Egypt's militancy and eventually its disposition to launch a "second round." Should an Egyptian-Israeli war develop in the immediate future, Egypt could probably defend the Sinai area for only a very short time. With the assistance of Soviet Bloc technicians, Egypt could have a limited number of tanks in operation in a few weeks after delivery and about 100 in operation within four to five months. However, about a year would be required before the new tanks could be effectively used in unit operations. Egypt would probably require at least six months to develop a significant air offensive capability against Israel. At least a year would be required before Soviet submarines could be effectively operated by Egyptian crews. (Paras. 48-50, 69)

9. The regime wishes to retain US friendship and support. However, its opposition to certain US policies, particularly those which it regards as favoring Israel or involving greater support for Iraq and the "northern tier" defense scheme will continue. Egypt would be particularly resentful of an Iraqi move to absorb Syria, and would hold the US and UK in great part responsible. (Paras. 77-81)

10. The Egyptian reaction to US moves to reassure Israel would depend on the ex-

tent to which such moves appeared to apply to both sides and to be designed to preserve the status quo. A reaffirmation of the Tripartite Declaration of 1950 would probably produce only a slight reaction in Egypt and the other Arab states. A convincing demonstration of US determination to intervene effectively in the event of aggression would probably reassure and restrain both sides, although Egypt and the other Arab states would regard it primarily as a guarantee of Israel's security. If the US provided Israel with any amount of arms, even if labeled

as being primarily defensive, or particularly if it extended to Israel alone a guarantee of its presently-held territory, US relations with Egypt and the other Arab states would be severely strained. Such a US security guarantee, if accompanied by extensive shipments of arms, not only might lead Egypt to break off relations with the US, and even to accept a Soviet guarantee if offered, but would also endanger the position of the Western Powers throughout the Middle East. (Para. 82)

DISCUSSION

I. EGYPT'S PRESENT SITUATION

11. It has now been more than three years since the Revolutionary Command Council (RCC), the military junta organized and led by Lt. Col. Gamal Abdel Nasir, and at first nominally headed by Major General Mohammed Naguib, assumed control of Egypt. Backed by the armed forces, particularly by a loosely organized group of three to four hundred junior and middle grade officers known as the Free Officers, the RCC committed itself to a vigorous program aimed at achieving sweeping internal reforms, gaining and exercising full Egyptian sovereignty, and strengthening Egypt's economic, military, and international position.

12. While the RCC regime has shown remarkable ability to function as a collective body, the dominant influence of Prime Minister Nasir has become increasingly clear. Nasir's personal ascendancy has been consolidated by the elimination from the RCC of certain members, such as General Naguib and the former Minister of National Guidance and Sudan Affairs, Salah Salem. The strengthening of Nasir's personal position has been to some degree at the expense of moderation and good relations with the West, since he has had to

rely on the extreme nationalists among the RCC's supporters in order to consolidate his control.

13. Nasir and his associates have had considerable success in crushing political opposition. The old-line nationalist Wafd Party, the reactionary Moslem Brotherhood, and the disunited Communists have been driven into a precarious underground existence by the regime's effective ban on political parties.¹ With few exceptions, the RCC enjoys the sup-

¹ The Wafd was the dominant party under the old regime, and probably still retains considerable appeal both to Egyptian nationalists and to the upper classes. It has also succeeded in maintaining its political organization intact to some degree. The Moslem Brotherhood (al-Ikhwan al-Muslimun), which was originally a purely socio-religious organization of Moslem zealots dedicated to reviving Islamic principles and combating Western influence, later developed into a body drawn chiefly from the lower urban middle class, peasants, students, and religious elements who, in their political guise, favored the establishment of an Islamic theocracy. At its peak, Egyptian membership was estimated at 500,000, although probably less than 2,000 were engaged in its terrorist and clandestine activities. The Brotherhood generally did not take part in electoral contests, but represented a powerful force with which political leaders had to reckon.

port of the armed forces and those elements of the civil service and security services which have benefited by the revolution.

14. On the other hand, the RCC's attempts to broaden its base of support have been relatively unsuccessful. The Liberation Rally, a political organization which it sponsored to provide popular support for the regime, has produced only negligible results. Opposition remains strong among urban intellectual and professional elements, the landowning classes who have sustained economic losses under the RCC's land reform program, and among former political leaders. Urban labor groups, at one time strongly in favor of the RCC, have become disillusioned with the results of its program. Finally, while the regime's land redistribution program has benefited a minuscule segment of the great mass of Egyptian peasants, and probably raised the hopes of others, there is little evidence that the vast majority is any less apathetic toward the RCC than toward its predecessors.

15. This failure to secure more widespread support results from several factors. Having abrogated the constitution, banned political parties, and instituted rule by decree, the RCC has inevitably incurred the resentment of the former parties and other politically alert civilian elements which are thus excluded from power and political life. Domestic opposition or apathy also results from the RCC's failure to meet expectations stimulated by its original promises to cope with fundamental social and economic problems, particularly the imbalance between Egypt's limited resources and its growing population.

16. In contrast to its indifferent success in meeting domestic problems, the RCC has achieved certain important objectives in the field of foreign relations. Chief among these were its agreements in 1953 and 1954 with the UK, providing respectively for the termination of the Sudan Condominium and British evacuation of the Suez Canal zone by 1956. In the Asian-African world, Nasir's position as a leader was strengthened by his role at Bandung. The RCC's claims to Arab leadership

suffered a serious setback when Iraq joined the Baghdad Pact in early 1955 in defiance of Egypt's efforts to maintain a common Arab front against defense arrangements with the West. However, with Saudi support, the RCC has so far made Syria, Jordan, and Lebanon reluctant to follow Iraq's lead. The RCC has strengthened its prestige in the Arab world as a result of acquiring extensive military assistance from the Soviet Bloc — a move which it regards as a success for its foreign policy and a step of far-reaching significance in improving Egypt's military strength.

17. These achievements of the RCC have not solved, and in some cases have intensified the difficulties confronting it in the field of foreign relations. UK withdrawal from the Sudan and the Suez base released the other Arab states from the compulsion to follow Egyptian leadership which they felt when it represented the spearhead of opposition to British imperialism in the Middle East. UK withdrawal has also forced Egypt to cope with a number of problems from which it had previously been insulated, particularly in regard to the Sudan. Egypt's vigorous opposition to Iraqi participation in Western-sponsored defense arrangements has cracked the thin facade of Arab unity, and brought Egypt into conflict with the US and UK. It has also strengthened Turkish support of Iraq's anti-Egyptian policy and has increased Turkey's efforts to counter Egypt's aspirations in the area. In the Sudan, the RCC has been largely unsuccessful in efforts to replace British with Egyptian tutelage. It has so far failed to secure agreement with the Sudanese over division of the Nile waters. Moreover, the regime's vigorous response to Israeli provocations and its acceptance of Soviet Bloc military assistance have substantially increased the danger of war with Israel and have added to the strain in Egypt's relations with the US and UK.

18. On balance, the position of the RCC has probably been strengthened during its more than three years of control. Its members have gained experience, have eliminated dissidents, and have placed reliable supporters in key

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positions of the civil and military services. In foreign affairs, the regime has achieved sufficient success to demonstrate its dedication to Egypt's interests and its determination to achieve results. If its domestic efforts have shown less dramatic results, its failures have not been sufficient to evoke any real challenge, and opposition elements remain disunited, suppressed, or ineffective. Nasir and his associates, however, recognize the necessity to produce results. In striving for these, they will be confronted with enormous, perhaps insuperable, difficulties, and may take dangerous risks in foreign policies.

II. THE OUTLOOK FOR POLITICAL STABILITY AND POLITICAL POLICIES

19. Barring such grave developments as assassination of certain key members or defeat in a war with Israel, the position of the RCC is not likely to be seriously threatened at least for the next year or so. Personality and policy differences within the RCC may lead one or more of its members to break off from the group, but Nasir and his closest supporters will probably be able to preserve their power within the junta.

20. The RCC is unlikely to make spectacular gains in achieving organized support from important Egyptian political elements during this period and its effective control will continue to depend primarily on the support of the armed forces. There is no indication that this support is likely to be weakened in the foreseeable future. The regime has been successful in raising the morale and prestige of Egyptian officers and, as a result of the arms deal with the Soviet Bloc, can count more than ever on the backing of the military services.

21. Because of its dependence on the military, the RCC will remain under considerable pressure to accommodate its program to the ideas of the Egyptian officer corps — particularly the opinions of the Free Officers group. Practically all of these officers are strongly nationalistic and anti-UK. Many, in addition to being hostile to the Western Powers, are also leftist, although there are few, if any, Communists among them. Their bellicosity to-

ward Israel will make it difficult for the RCC to be moderate on the Israeli issue.

22. The regime remains under civilian pressure to fulfill earlier promises to restore parliamentary government. Nasir and his associates may set up some form of advisory or puppet parliament and may also proceed with formulating a constitution — some plans for which have already been made. While little is known of these plans, they are apparently based on the concept of a strong chief executive. Reportedly, neither the chief executive nor his cabinet would be responsible to parliament, and the latter would not have the power to propose money bills or to question the basic program of the revolution or the measures of state security. The chief executive would presumably retain the power of veto over such legislation as the parliament could initiate.

23. Under such a form of government, Nasir would assume the role of chief executive. Most RCC members would probably continue to be cabinet ministers and would retain considerable influence in the formulation of policy, although the RCC as an entity might be eliminated. Nasir and his two closest supporters within the RCC, Zakariya Muhi al-Din and Abd al-Hakim Amir, probably would emerge from the process in even stronger positions than at present, if only by ridding themselves of their present obligations to act in concert with the RCC as a whole.

24. Such limited concessions to constitutionalism will almost certainly not weaken opposition to the regime among its civilian opponents or broaden significantly the base of its popular support. So long as most politically conscious elements in Egypt are excluded from a voice in the government, they will remain indifferent or hostile to the regime. Such organizations as the Wafd Party and the Moslem Brotherhood will continue to work for its downfall. The ability of these opposition elements to challenge the regime, however, is likely to remain limited, since no opposition group can hope to overthrow it without significant support from the armed forces.

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25. The Communist movement in Egypt is now splintered into three competing factions with probably less than 4,000 adherents. Religio-ethnic minorities and youth groups contain the largest number of members, while students and labor elements are the principal sympathizers. Communist potential and standing are likely to improve if the recent rapprochement between Egypt and the Soviet Bloc continues. Moreover, this rapprochement may lead to Communist support for the regime, particularly for its foreign policies and this, in turn, could result in a weakening of the RCC's internal security precautions and even to Communist infiltration of the government. However, the indigenous Communist movement is not likely to pose a serious threat to the regime so long as the security forces maintain their present surveillance.

26. If "parliamentary" government should be established, even in an advisory form, it would probably lead over a period of time to increasing demands by civilian elements for further concessions. The regime would come under growing pressure to relinquish some of the substance, as well as the appearance, of its present power, and its foundations might gradually be eroded. The effectiveness of such civilian demands, however, would depend on the ability of civilian elements to win the support of a significant segment of the armed forces.

27. The development of strong and active civilian opposition to the regime would probably affect the loyalty of certain elements of the armed forces to some extent, but no such development is presently foreseeable on a scale sufficient to threaten the regime's control of the military. For some time to come, the only occurrence likely to turn the armed forces against the regime would be defeat at the hands of Israel. It is extremely unlikely that Nasir or the regime could remain in power in the aftermath of such a disaster.

28. In the event of the overthrow of the Nasir regime, the character of its successor would depend in large measure upon the circumstances of the regime's fall. Defeat at the

hands of Israel, with the consequent discredit cast upon the armed forces leadership, would probably be followed by the establishment of some form of Wafdist government supported by elements of the armed forces and police. The Wafd probably still retains considerable latent political power. Such a government would almost certainly not be pro-Western. If an overthrow resulted from a combination of relatively less dramatic foreign and domestic policy failures, the successor regime would probably be military, with a constitutional facade featuring Wafdist leaders.

29. Though the Moslem Brotherhood might temporarily align itself with a military-Wafdist group in the overthrow of the regime, it is not likely that the Brotherhood would be included among the leadership of the new regime because of the exorbitant demands it would probably make. The Moslem Brotherhood would probably oppose any regime in which it did not have a strong influence.

30. It is possible that the leaders of a successor regime might restore the monarchy, possibly by establishing a regency for Faruq's son. Such a move would not be intended to restore the power of the Palace, but rather to supply a sense of continuity and legitimacy.

III. ECONOMIC SITUATION

31. The RCC inherited a number of serious and growing economic problems which previous governments had failed to deal with effectively. The basic problem arises from the fact that the population of Egypt, now roughly 23 million, is increasing by almost two and one-half percent per year, whereas national income shows no comparable rise. Moreover, Egypt is heavily dependent on a single crop — long staple cotton accounts for 80 percent of its exports — which it has had difficulty in selling in recent years. Nevertheless, Egypt attained a balance of payments on current account in 1954. Although its gold and foreign exchange holdings are large, primarily because of the wartime accumulation of sterling, much of this is still blocked by the UK. However, there are provisions for the gradual liquidation of this account. Over

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the past three years, the regime has succeeded in obtaining more than \$50 million in economic aid from the US, including \$40 million for economic development. During recent years Egypt has enjoyed a high degree of monetary stability. While this stability has been maintained under the RCC, this body cannot claim credit for establishing it. The accumulation of large exchange reserves during World War II, coupled with conservative banking practices inherited from the British, largely account for the favorable financial position. It is, in fact, this monetary stability and foreign exchange reserves which make major economic projects in Egypt feasible.

32. As a matter of first priority, the regime moved quickly against corruption and inefficiency in government which had adversely affected the economy. It also took emergency measures to dispose of a large cotton carry-over which had been priced out of the world market. Finally, it promised to press forward with economic development programs which had been under consideration for years, and added measures of its own. It announced a sweeping program of land redistribution and land reform, labor reforms, liberalized investment laws, a stepped-up industrialization program, and a plan to increase the amount of land in cultivation — primarily through construction of a new high dam on the Nile above Aswan.

33. On balance, the regime's attack on economic problems is not likely to meet with great success. While the land program has won some support for the RCC among the peasantry, its political value has decreased with the passage of time, as it has become apparent that only a tiny fraction — perhaps 150,000 out of nearly three million peasant families — will obtain land of their own through redistribution of the 750,000 acres involved in the program. The rest of Egypt's six million cultivable acres will remain in the hands of their present owners. Moreover, even if the program is quickly and efficiently implemented, rural living standards will not necessarily improve, because of the growing population. Underemployment among hired

farm laborers may increase, and production may actually decrease as a result of the changes in ownership, production methods, and marketing channels. Government attempts to collect payments for the land from the new peasant proprietors will probably become a continuing cause of friction, even though payment rates have been set at half or less of the value of the land to be expropriated and are to be spaced over a 30-year period.

34. Despite some success in developing new markets for its cotton through increased sales to India and growing barter trade with the Sino-Soviet Bloc, Egypt faces continuing problems in the disposal of the crop. These would become especially severe if a revision of US cotton export policy in 1956 were to confront Egypt with the competition of US surplus sales. In addition, Egypt's difficulties in selling long staple cotton to the US are increased by a rigid US import quota and by the growing competition of domestic equivalents and synthetics. In these circumstances, Egyptian trade with the Bloc, which in 1954-1955 took over 22 percent of Egypt's total cotton exports, is likely to increase. While such trade may provide a solution to the cotton surplus, growing dependence on this outlet may make Egypt increasingly susceptible to economic pressures and inducements from the Soviet Bloc, particularly if world cotton prices continue to decline.

35. The key project in the regime's internal development program is the construction of a new high dam on the Nile, a few miles south of the existing Aswan Dam. Over-all costs of the project, including land reclamation and hyroelectric installations, are estimated at approximately \$1.3 billion, including about \$400 million in foreign exchange components. Construction time for the dam is estimated at 10 years, with a total of 18 years required for completion of all the related projects. The dam should make possible the reclamation of about 1.5 million acres, making up to one-third more arable land available than at present. The hydroelectric installations would provide an important impetus to industry.

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36. Financing the High Dam presents formidable obstacles, since it depends not only on foreign assistance, but also on Egypt's willingness to concentrate its own development resources almost exclusively on this project, and to hold government spending to an absolute minimum in other respects. Failure to exercise this sort of discipline would probably result in unsound government financing with serious inflationary consequences. The Egyptians have engaged in extensive negotiations with the International Bank for Reconstruction and Development (IBRD), which has concluded on the basis of engineering studies that the project is technically feasible. The Bank has been reluctant, however, to advance a loan until it was satisfied that Egypt or other sources would provide a substantial portion (about 50 percent) of the outside financing necessary. It has also been hesitant to do so until agreement was reached between Egypt and the Sudan on the Nile waters. More recently, an international consortium of British, French, and German firms has done considerable planning for the project, and if financing can be obtained either through the IBRD or with direct Western governmental aid, appears to be ready to proceed.

37. Agreement with the Sudan on the division of presently unallocated Nile waters will be difficult to achieve. The Sudanese are studying an Egyptian proposal, but the good offices of the UK and possibly of the US may be required before agreement can be reached. The principal factors influencing the Sudan's position are its own rapid movement toward independence and the difficulties in reconciling Egyptian requirements with its own development plans and anticipated needs.

38. In the face of slow progress with the West, Egypt has received from the USSR an offer reported to have been of \$600 million in Soviet goods and services to construct the dam. Payment for this would be in cotton and rice over a 30-year period at two percent interest. If the USSR actually followed through, the Aswan High Dam would constitute an enormous monument to Soviet industry. During the course of its construction, it would serve as

an important vehicle for the extension of Soviet influence. In spite of certain technical and other objections, the Nasir regime is determined to carry out the project as evidence of its efforts on behalf of the Egyptian masses. If the regime lost hope of obtaining satisfactory financing assistance from Western sources, it would probably seek an acceptable offer from the USSR.

39. Even completion of the High Dam is unlikely to raise the Egyptian standard of living significantly, since the population will probably continue to grow at a rate sufficient to absorb the added resources without increasing per capita income. The regime's plans for increasing industrialization, including construction of a steel mill at Helwan and a fertilizer plant at Aswan, are also unlikely to have a substantial beneficial impact. Industry cannot expand in the future as rapidly as it has during the last 15 years, because of the limited internal markets for those goods which can be economically produced in Egypt. Moreover, only a small fraction of Egyptian manufactures can meet the competition in world markets.

40. In sum, while some progress may be made in coping with Egypt's economic problems, the population growth factor is such that present reforms and development plans, even if fully implemented, would probably succeed only in holding the low standard of living at its present level. Egypt could probably make some adjustments in its economy by diverting considerable acreage from cotton to wheat, as was done in World War II. However, at present prices of wheat and cotton, Egypt is likely to prefer the production of cotton.

IV. MILITARY OUTLOOK

41. The Egyptian ground forces consist of the regular army, the Frontier Corps, and the National Guard. The regular army, with a strength of 76,000, is composed of 2 infantry division headquarters, 7 infantry brigades, 2 antiaircraft brigades, 1 airborne brigade, 3 armored groups (brigades), and 3 other units at brigade strength, together with smaller artillery, antitank, engineer sig-

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nal and service units. The National Guard, with an estimated strength of 60,000 (including commandos), is loosely organized along lines paralleling the regular army, but suffers a lack of officers, noncommissioned officers, and equipment. Nevertheless, about 10,000 National Guard troops are serving on the Israeli frontier with the regular army. The Frontier Corps of 6,400 men is disposed along the frontiers in numerous small units. Prior to the Soviet Bloc arms deal, the Egyptian Air Force had 260 aircraft, including 52 jet fighters. Its personnel strength consists of 700 officers, 377 of whom are pilots, and 6,000 enlisted men and civilians. The navy has a personnel strength of 5,700, equipped with a variety of light escort, coastal patrol, and service vessels.

42. At the present time approximately 30,000 regular army and National Guard troops, primarily infantry with a small amount of artillery and tanks, are deployed in the Sinai Peninsula.

43. Throughout its tenure of power, the RCC has assigned a high priority to the improvement of the armed forces. Indeed, it was the poor condition of Egypt's forces under the old regime, and their consequent defeat in the Palestine War of 1948, which stimulated the RCC's rise to power. The regime will almost certainly continue its vigorous efforts to improve Egypt's military establishment. Its arms deal with the Soviet Bloc has won the approval of politically conscious civilian elements who share with the regime a desire to build up Egypt's military capabilities against Israel.

44. The RCC has been highly successful in improving the morale of the armed forces. It has increased military pay and allowances and improved quarters for the forces. Considerable dead wood among senior military officers has been eliminated. Training and performance, primarily at the infantry battalion level, have been considerably improved, in part through the efforts of an unofficial German advisory mission. Morale in all services has also been substantially raised by the

government's success in procuring quantities of relatively modern arms and by its tougher military policy toward Israel.

45. Egypt's actual military capabilities, however, have probably not been significantly improved as yet. The high command and staff are still markedly deficient in professional knowledge and experience. Serious problems of supply and logistics would have to be overcome before the forces could perform efficiently in combat. The political and administrative role played by top level army and air force officers has diverted their attention from military matters. It would take considerable time, effort, and money to make the Egyptian Navy, which lacks modern combat vessels and trained personnel, an effective organization.

46. Until recently, the regime's efforts to modernize and reorganize the forces have been frustrated by its failure to procure modern weapons. Most of the weapons which have been obtained from various foreign commercial sources have been obsolete and heterogeneous. Since 1954, Egypt has obtained about 29 Centurion tanks and 30 jet fighters from the UK, and other military items, including two destroyers, are on order from the UK. France has agreed to resume arms shipments which were suspended as a result of Egyptian support for the North African nationalists. In 1954, Egypt declined an offer of US grant military aid on the grounds that it could not accept the legal conditions required by the US Military Defense Assistance Program. In the summer of 1955, the US approved an Egyptian request to purchase 100 medium tanks, 50 light piston bombers, and other equipment, but conclusion of the agreement was delayed because of Egypt's difficulties in finding the dollars to pay for these items.

47. Soviet agreement to sell military equipment to Egypt was first expressed to Nasir in the spring of 1955. Nasir announced in late September that Egypt had contracted with Czechoslovakia for an unspecified amount of equipment. Nasir has maintained that the contract is a purely commercial agreement.

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The agreement is said to be of five years duration and to include an initial order of: 200 jet aircraft; 100 "heavy" tanks; 6 motor torpedo boats; and 2 submarines — all with necessary spare parts. An initial shipment of 37 light jet bombers and 63 MIG-15's is reportedly to be delivered by December 1955 and the 100 tanks are to be delivered at an unspecified early date. Some deliveries already have been made and Bloc technicians have arrived in Egypt to assemble the equipment and to instruct in maintenance and operation. The Egyptians claim that these technicians are to remain for limited periods only.

48. Assuming that the Bloc actually supplies all of these items, and that they are in good condition, in terms of military hardware alone the deal would: (a) give Egypt marked qualitative and quantitative superiority in both fighter and bomber aircraft over Israel, which is already inferior in numbers of aircraft to the Arab states as a group; (b) significantly reduce Israel's present numerical superiority in tanks; and (c) furnish Egypt with means of harassing Israel's shipping.² With the assistance of Soviet Bloc technicians, the Egyptian Army could have a limited number of tanks in operation in a few weeks after delivery, and within four to five months could have about 100 in operation. However, about a year would be required before the new tanks could be integrated and effectively used in unit operations.

49. The Egyptian Air Force (EAF) presently has about 30 pilots qualified and considered combat-ready, under Middle East standards, in British types of jet aircraft. Training of these pilots in Soviet aircraft may have begun already. Improvement of EAF offensive capability against Israel would nevertheless be slow due to inefficiencies in maintenance and supply. It would probably take at least six months for this improvement in offensive capability to become significant. Egypt's air defense capability, now considered negligible,

² A comparison of present Egyptian and Israeli armaments strengths, excluding those scheduled for Egypt from the Soviet Bloc, appears in an appendix.

would likewise improve with the addition of the new types of aircraft. However, the lack of radar, early warning, and a good communications system will minimize this improvement in air defense.

50. Although the motor torpedo boats could probably be used on receipt, at least a year would be required before Soviet submarines could be effectively operated by Egyptian crews.

51. The chief immediate effect of the arms deal on Egypt's combat capabilities has been to raise morale. Until the Egyptians are ready to use the new equipment in unit operations, they will probably remain extremely vulnerable to an Israeli attack in force. If such an attack should occur under present circumstances, we estimate that Egypt could defend the Sinai area for only a very short time. Even assuming a successful withdrawal from Sinai, Egyptian forces would probably not be capable of conducting offensive operations unless the greater part of Israeli forces were engaged on other fronts.

52. Egypt's efforts to improve its capabilities will be hampered by deficiencies in logistics, command and staff proficiency, and intangible military qualities such as *esprit de corps*. Over the long run, however, several factors must be considered in evaluating Egypt's military potential. It has a much greater population potential for expansion of the armed forces than does Israel, and in a war of attrition could absorb far more casualties. Together with its Arab allies, it commands economic resources superior to those of Israel, and is in a better geographical position to withstand blockade. If Egypt could absorb and effectively utilize extensive amounts of Soviet equipment, its present power relationship with Israel might be reversed.

V. FUTURE FOREIGN POLICIES AND ORIENTATION

53. The fundamental objective of Egypt's foreign policy is to maintain freedom from foreign domination. To this end, the regime considers that it must maintain an independent position between the great power blocs. Al-

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though the RCC is opposed to local Egyptian Communism, it has welcomed Soviet Bloc support as a means of counteracting Western pressures on Egypt. It sees rivalry between the Bloc and the West as presenting an opportunity both to secure economic advantages and to advance its foreign policy objectives.

54. Specific Egyptian foreign policy objectives include: (a) acquiring leadership in the Arab world; (b) strengthening Egypt's military and political position vis-a-vis Israel; (c) establishing influence in the Sudan; and (d) a general undermining of the Western position in the Middle East and in Africa.

55. *The Sino-Soviet Bloc.* The RCC almost certainly estimates that the arms agreement has substantially improved its domestic and international position. It almost certainly will not abandon this agreement in the face of Western pressures and it will continue to welcome additional Bloc support.

56. Since the signing of the Turco-Pakistani Pact, which preceded the Baghdad Pact,³ Egypt has led Arab opposition to Western defense efforts, supported by Syria and Saudi Arabia — the other recipients of Soviet arms offers. The USSR almost certainly appreciates that US-UK difficulties in creating a defense system will be seriously increased: (a) by heightening Arab-Israeli tensions; (b) by depriving the Western Powers of the advantage of being the only significant source of arms for the Arab states; and (c) by creating invidious comparisons in Arab minds between the spectacular amount and easy terms of Soviet aid promised to Egypt, and the relative handful of materiel which Iraq has been receiving as a member of the "northern tier" group of nations.

57. In addition to undermining Western defense efforts and influence in the Middle East, present Soviet policies are probably aimed at lessening Egypt's dependence on the West, increasing Soviet bargaining power, and fostering the idea that the USSR shares common objectives in the area with Egypt and its Arab allies. The Soviets probably expect that Egypt

³ Turkey, Iraq, the UK, Pakistan, and Iran are now members of this Pact.

tian acceptance of arms from the Bloc in exchange for cotton, together with recent agreements for substantially increased barter trade in nonmilitary items, will require continued Egyptian reliance on the Bloc, thus providing increased opportunities for subversion and political penetration.

58. In the short run, the most promising and immediate opportunities open to the Soviets lie in exploiting the strong neutralist feeling of the RCC and its supporters. Nasir's trip to the Bandung Conference in April 1955, already had strengthened this neutralism, and Nehru may have encouraged Nasir's opposition to US and UK-backed defense pacts in the Middle East. Tito's success in developing a middle position has probably also impressed him.

59. We believe that the RCC intends to avoid political alignment with the Soviet Bloc. It is unlikely that Egypt would enter into political commitments in exchange for Soviet arms or economic aid. The same apprehensive, suspicious nationalism that underlay Egypt's rejection of alignment with the West in a Middle East defense organization will probably work with equal force against Soviet efforts to obtain a special position in Egypt. Egypt will continue to interpret any arms agreements with the Soviet Bloc as commercial transactions without political implications, and it will take the position that such transactions should not affect good relations with the West.

60. However, the RCC regime almost certainly overestimates its ability to handle both the short and longer-range risks of accepting the Soviet arms offer. The sheer technical problems of assembling and maintaining the materiel involved, quite aside from training Egyptian personnel to use it effectively, will place the regime under strong compulsions to admit greater numbers of Bloc technicians and training personnel for longer periods than it probably now thinks will be necessary. Having acquired the arms, Nasir will be reluctant to close Egypt's doors to such personnel as may be needed to make them useful, particularly if the USSR itself and the Bloc repre-

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sentatives sent to Egypt continue to avoid the appearance of having political or subversive designs. Egypt will also remain dependent on the Bloc for spare parts.

61. To the extent that the RCC is alarmed and provoked by Israeli activist border policies, the urge to seek continuing Bloc technical and military help will increase. If war should actually break out between Egypt and Israel, assuming it continued for any considerable period, the urge would probably become irresistible.

62. Initially at least, the Bloc is likely to behave with circumspection in order to soothe Egyptian fears of Soviet political and subversive intentions. The USSR will also probably employ occasions such as Nasir's visit to Moscow, scheduled for 1956, and Chou En Lai's forthcoming trip to Cairo, to underscore the similarity of Bloc and Egyptian objectives in the Middle East. The USSR through such measures will also exploit Nasir's desire for prestige in the international community.

63. So long as the Soviets maintain this correct attitude, the RCC regime will be under strong pressure to accept continuing and even increased ties with the Bloc. The RCC appears sufficiently impressed by current Soviet "soft" tactics to believe that deals with the Bloc involve comparatively little risk. In the long run, barring a hardening of Soviet policy toward Egypt, the main factors which will determine the extent of Soviet influence in Egypt are: (a) the regime's own estimate of its need for Western support to insure its independence; (b) the extent to which its economic, political, and military aspirations are actually satisfied by the West; and (c) the degree of Egyptian satisfaction or dissatisfaction with Soviet performance. Should Egypt feel that it had been "written off" by the West, it would be forced into increasing dependence on the Bloc.

64. If the Soviet Bloc elected to supplement material offers to Egypt by a more active campaign on behalf of the Egyptian and Arab position in political issues in the area, the RCC would almost certainly welcome such support. The USSR has already indicated that it is

prepared to take a more active political part in seeing that "justice," as Egypt conceives of it, is done in the Middle East. It has reportedly even assured Nasir that it will seek his prior approval before adopting policies on questions, such as arms aid to the Sudan, which affect Egypt's interests. A Soviet move in the UN in favor of Arab demands for implementing the 1947 UN resolution for the partition of Palestine would evoke powerful reactions of approval within Egypt and other Arab states. It would place the RCC under an obvious public political debt to the Bloc, and substantially enhance the prestige and potential of the Bloc and of Egyptian Communists. It would also place the Western Powers in an extremely difficult position, in view of their relation with Israel, and would intensify existing Arab resentment at the West's support of Israel.

65. *Relations with the US.* The strains on Egyptian relations with the US resulting from Egypt's arms deal have come on top of a number of other policy conflicts. The Egyptians have long regarded US support for Israel as a serious if not fatal impediment to cooperation with the US. In the past year or so, US and UK-backed "northern tier" defense efforts have appeared to the RCC to run squarely against its interests, since these efforts involve support for Egypt's only potent Arab rival, Iraq. Additional Egyptian resentment toward the US has resulted from the regime's failure to obtain arms from the US on its own terms, from delay in securing US assistance for the high-dam, from apprehensions that the US might undercut Egypt by subsidizing US cotton exports, from the RCC's conviction that the US has been unsympathetic to Egyptian objectives in the Sudan, and from the US position on the French North African question.

66. We believe that the RCC will continue to want friendly relations with the US, and its acceptance of Bloc support may even enhance the value it sets on Western assistance, both for its own value and as a counterweight. The Egyptians in any event will probably make use of Soviet offers in an effort to gain concessions from the US. At the same time, Nasir

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and his associates, strengthened in their belief that Soviet support has increased their bargaining power, will be more inclined than ever to resist concessions to the West which appear to them inconsistent with their goal of independence and pursuit of their objectives in the area.

67. *Relations with the UK and France.* Egyptian hatred for British "imperialism" remains strong, and the UK, along with the US, continues to incur Egyptian resentment over Western defense policies and support for Iraq and Israel. At the same time, Egypt continues to have important economic and military ties with the UK. Egyptian leaders not only retain a certain respect for UK advice, but also recognize that the UK continues to exercise influence in Jordan and, to a lesser extent, in Iraq, the Sudan, and Libya. Thus in certain matters the UK may be in a better position than the US to influence Egyptian policy. For the most part, however, the RCC's relations with the US and UK are not likely to differ significantly.

68. Egypt and France share a certain interest in preventing the extension of Iraqi influence in the Levant. Nevertheless, relations have been strained by Egypt's opposition to the French position in North Africa and by Egyptian resentment of French sales of jet fighters and other arms to Israel. Although Egypt may tone down its support of the nationalist cause in French North Africa as a result of a French agreement to resume the sale of arms to Egypt, it is unlikely to abandon this support.

Policies Toward Middle East Questions

69. *Israel.* Recent Bloc support for the Arab side against Israel has diminished the chances that the RCC would move toward an accommodation with Israel. Indeed the arms deal has substantially increased the likelihood of an Egyptian-Israeli war. Israel may feel compelled to take preventive action. Egypt will probably respond more vigorously to Israeli border actions and, as its strength increases, may become more disposed to launch a "second round" against Israel. The regime is

also likely to continue its intransigence with respect to Israel's demands for passage through the Suez Canal and the Gulf of Aqaba.

70. Barring a war, there is some chance that Egypt's growing military strength, by giving the Nasir regime self-confidence, would lead it to continue to put out feelers for an Israeli-Egyptian settlement—but only on Egypt's own terms. Nasir has suggested that if Israel would concede a defensible area in the Negev linking Egypt and Jordan and compensate the refugees, Egypt might be ready to negotiate some form of settlement. For the foreseeable future, however, there is little likelihood that Israel would accept a proposal involving any such alienation of its territory. Egyptian willingness to liquidate the Israel problem by some such form of settlement might be increased if the regime became preoccupied with problems relatively remote from the Arab-Israel area, notably its relations with the Sudan.

71. *Other Arab States.* In most of the Arab world, Egypt's arms deal with the Soviet Bloc was hailed as a bold assertion of independence from Western tutelage, and as a highly effective move toward overcoming Israel's military superiority. Among the Arab states the regime's prestige is now higher than ever, having largely recovered from the blow suffered early in 1955 when Iraq signed the Baghdad Pact and the Egyptian-Saudi-Syrian Pact failed. The RCC is accordingly likely to pursue its objectives in the Arab world with increased vigor and greater hopes of success.

72. Foremost among these objectives is Egyptian leadership of the other Arab states. In this effort, the RCC finds itself seriously challenged only by Iraq. The latter's defense ties with the West violate Egypt's concept of a purely Arab defense arrangement, and combined with Iraq's recent maneuvers in Syria, raise the spectre of Iraqi domination of the northern Arab states. Such a development would be particularly repugnant to Egypt (and Saudi Arabia) since, the regime fears, it would leave Egypt isolated, and mean the continuation of US and UK special positions

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among the Arab states. The main arena of Egypt's rivalry with Iraq continues to be the strategically located but weak and divided state of Syria. Egypt scored a success in October 1955 when it concluded a defense pact with Syria, providing for unified command, a joint military fund, and immediate mutual assistance in case of an Israeli attack.

73. Egypt is likely to attempt, on the one hand, to strengthen the Arab League, or a similar association, and concurrently to encourage bilateral military arrangements between Egypt and other Arab states (Iraq excepted). With Syria uppermost in mind, Egypt will almost certainly oppose amalgamation of any Arab states. It will almost certainly continue vigorous efforts to counteract Iraqi moves in Syria, and will accept financial support from Saudi Arabia to this end. It is unlikely that the RCC could be reconciled to Iraqi domination of Syria even if it recognized that the alternative might be Soviet penetration and ultimately Communist domination.

74. Should Egypt be confronted with an actual Iraqi take-over in Syria, its reaction would be extremely hostile and emotional. The Nasser regime would feel compelled to honor its alliance with Syria, although it could do little militarily. At a minimum it would probably step up its anti-Iraq campaign in Syria and other Arab states, with the vigorous help of Saudi Arabia. The RCC might even commit aircraft against Iraqi forces if the latter entered Syria.

75. *The Sudan.* The RCC is disturbed by the apparent failure of its Sudanese policies to produce a pro-Egyptian provisional government in the Sudan. It has reluctantly accepted the probability that when the present transitional period ends in 1956, the Sudanese will choose independence rather than some form of union with Egypt. Egypt fears that this development would jeopardize the prospects for agreement on the Nile waters. In addition, Egypt fears that an independent Sudanese government would be weak and unstable, and could not be relied on to uphold agreements on water use. Finally, an independent Sudan would end the RCC's hopes of

exploiting Sudanese land resources to help solve Egypt's pressing population problems.

76. It appears unlikely that Egypt can prevent a Sudanese decision in favor of independence. However, it will probably continue its efforts to discredit pro-independence elements in the Sudan, to strengthen pro-union groups, and to foster conflict between the southern and northern areas of the Sudan. Should either the transitional Sudanese government or its successor reject Egyptian offers for a water agreement without leaving the door open for further negotiations, a serious crisis in Egyptian-Sudanese relations would almost certainly develop, possibly leading to the use of force by the RCC and thus to direct conflict with the UK. In the meantime, Egypt is likely to encourage the Sudan to pursue an "independent" and "neutral" policy toward the great powers, which might mean closer Sudanese ties with the Soviet Bloc.

VI. PROBABLE CONSEQUENCES OF POSSIBLE US COURSES OF ACTION

77. While the RCC wishes to retain US support, it believes that Egypt's overriding interests justify actions such as the arms deal with the Soviet Bloc or opposition to the "northern tier" alliance. It also believes that the US should maintain a tolerant attitude toward such actions.

78. If the US reaction to the Soviet arms deal is relatively mild and involves no modification of former policies toward Egypt, the RCC's initial response probably will be one of relief. So far, the absence of any marked US policy reaction has resulted in RCC uneasiness as to the form US policy toward Egypt might eventually take. This uneasiness could lead to increased suspicion of the US and consequently to further restriction of US activities in Egypt.

79. A US or IBRD decision to assist Egypt in constructing the High Aswan Dam would be welcomed as a strong indication of continued US support. At the same time, the regime would conclude that such a decision was in direct response to the arms deal and to Soviet economic assistance offers, and that it could

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continue to obtain benefits by playing the West and the Bloc off against each other.

80. Although a US withdrawal of economic and technical aid already programmed would have little effect on the Egyptian economy, such a move would probably produce an angry and emotional reaction from the RCC. It would almost certainly lead Nasir to conclude that the US was attempting to isolate Egypt and bring about the downfall of the regime. The danger of violent anti-US disorders would be great. The RCC would probably rely increasingly on Soviet economic and technical support. These dangers would be greatly increased if in addition to withdrawing existing aid, the US should make other moves, such as the dumping of surplus US cotton. Such a policy or even the public threat of it would almost certainly have a highly unsettling effect on Egypt's economy.

81. A US decision to discontinue aid after the end of the current year's program would have only a limited effect on Egypt's economy. Adverse reaction in Egypt would not be as great as if existing programs were abruptly terminated. Such action, however, would be regarded by the regime as evidence of US opposi-

tion, or at least indifference, to the RCC's continued control of Egypt.

82. The Egyptian reaction to US moves to reassure Israel would depend on the extent to which such moves appeared to apply to both sides and to be designed to preserve the status quo. A reaffirmation of the Tripartite Declaration of 1950 would probably produce only a slight reaction in Egypt and the other Arab states. A convincing demonstration of US determination to intervene effectively in the event of aggression would probably reassure and restrain both sides, although Egypt and the other Arab states would regard it primarily as a guarantee of Israel's security. If the US provided Israel with any amount of arms, even if labeled as being primarily defensive, or particularly if it extended to Israel alone a guarantee of its presently-held territory, US relations with Egypt and the other Arab states would be severely strained. Such a US security guarantee; if accompanied by extensive shipments of arms, not only might lead Egypt to break off relations with the US, and even to accept a Soviet guarantee if offered, but also would endanger the position of the Western Powers throughout the Middle East.

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APPENDIX

EGYPTIAN AND ISRAELI MILITARY CAPABILITIES¹PERSONNEL STRENGTH

	<u>Army</u>	<u>Air Force</u>	<u>Navy</u>	<u>Other</u>	<u>Total</u>
EGYPT	76,000	3,000	5,700	20,000-24,000	105,000-109,000
ISRAEL ²	8,000	2,000	3,000	112,000 (Reserves)	200,000

MATERIEL STRENGTH OF THE GROUND FORCES

	<u>Medium Tanks</u>	<u>Light Tanks</u>	<u>Armored Cars</u>	<u>Mortars & 75mm. Towed Fld. Arty.</u>	<u>AA Arty. 40mm. & Larger</u>	<u>Self-Pro- pelled Arty.</u>
EGYPT	149		90	516	114	8
ISRAEL	192	130	138	2,098	48	

PRINCIPAL AIRCRAFT³

	<u>Jet Fighters</u>	<u>Piston Fighters</u>	<u>Bombers</u>
EGYPT	52	12	6
ISRAEL	29	53	58

PRINCIPAL NAVAL STRENGTH

	<u>Patrol Vessels</u>	<u>Amphibious Warfare Vessels</u>	<u>Minesweepers</u>
EGYPT ⁴	16	4	9
ISRAEL ⁴	23	6	2

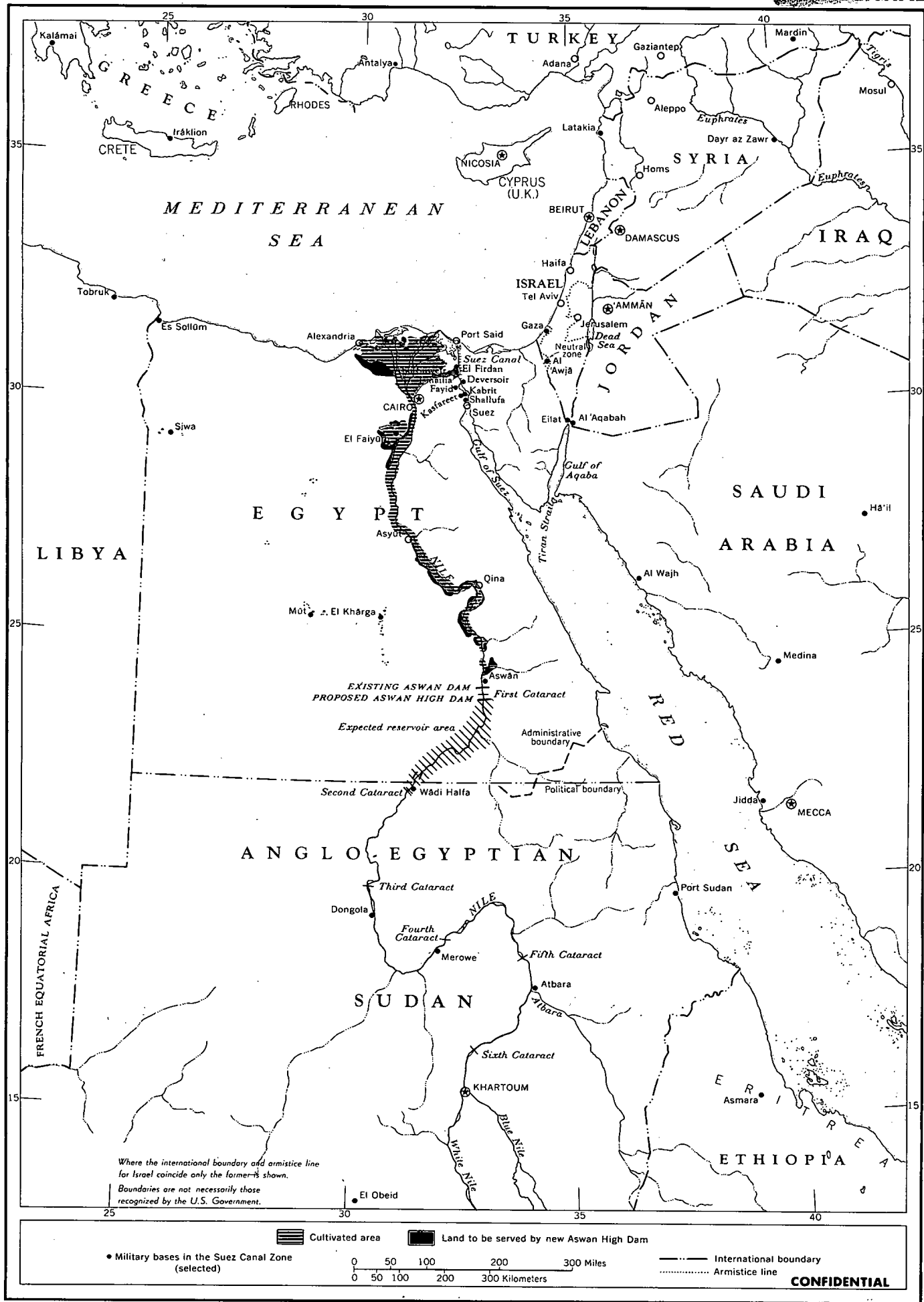
¹ The following tables do not take into account the arms Egypt expects to acquire from the Soviet Bloc, since firm details are not available.

² Israel's highly trained reserves, which can be mobilized in 24-48 hours, give it a force approximately twice the size of Egypt's.

³ Despite Egypt's numerical advantage in jet aircraft, it is estimated that at the present time the Israel Air Force could operate almost at will in the area against Egypt because of a higher aircraft—in—commission rate and the presence of well-trained crews.

⁴ Egypt and Israel have each purchased two destroyers from the UK. Delivery is now estimated for late 1956.

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